

Planning by	Reviewed	Performed by	Final review



Mogale City Local Municipality
(Registration number GT 481)
Annual Financial Statements
for the year ended 30 June 2011

Mogale City Local Municipality

(Registration number GT 481)

Trading as Mogale City Local Municipality

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General Information

Mayoral committee

Executive Mayor

Councillors

Cllr. K.C. Seerane

Speaker: Cllr. S.M. Thupane

Chief Whip: Cllr. S. Dube

MMC Finance: Cllr. F.O Bhayat

MMC Human Settlement and Rural Development: Cllr. S. Letsie

MMC Roads & Transport: Cllr. N.E. Mdlulwa

MMC Corporate Services: Cllr. N.C Mangole

MMC Infrastructure Development: Cllr. M. Khuzwayo

MMC Local Economic Development: Cllr. B. Friedman

MMC Health and Social Services: Cllr. E Mathe

MMC Intergrated Environmental Management : Cllr. M.A Mathibe

MMC Sports and Recreation: Cllr. K.A. Setswalo-Moja

MMC Public Safety: Cllr. N. Kufa

Grading of local authority

4

Accounting Officer

Mr D.M Mashitisho

Chief Finance Officer (CFO)

Mr L.M.E Mahuma

Registered office

Civic Centre

Cnr Commissioner & Market Street

Krugersdorp

1739

Business address

Civic Centre

Cnr Commissioner & Market Street

Krugersdorp

1739

Postal address

P.O Box 94

Krugersdorp

1740

Bankers

First National Bank - Till 31 May 2011

Standard Bank - From 1 June 2011

Auditors

Auditor General

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these Annual Financial Statements, which are set out on page 4 to 65 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

Mr D.M Mashitisho
Accounting Officer

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Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
ASSETS			
Inventories	9	18,654,121	153,602,892
Trade and other receivables-exchange transactions	10	26,960,631	28,179,395
Consumer debtors	11	293,846,200	232,728,246
Cash and cash equivalents	12	39,335,491	88,990,514
Operating lease asset		361,893	-
CURRENT ASSETS		379,158,336	503,501,047
NON-CURRENT ASSETS			
Investment property	3	475,519,554	475,519,554
Property, plant and equipment	4	4,582,697,999	4,475,969,575
Intangible assets	5	6,226,216	2,252,219
Investment	6	38,893,698	33,965,695
		5,103,337,467	4,987,707,043
Non-Current Assets		5,103,337,467	4,987,707,043
Current Assets		379,158,336	503,501,047
Total Assets		5,482,495,803	5,491,208,090
LIABILITIES			
CURRENT LIABILITIES			
Retirement benefits obligations	8	7,701,821	6,955,464
Finance lease obligation	13	3,847,688	189,524
Unspent conditional grants and receipts	14	12,311,737	12,133,569
Provisions	15	51,479,123	47,055,550
Trade and other payables from exchange transactions	16	252,069,316	232,077,000
Other financial liabilities	40	11,158,838	12,109,596
Sundry deposits		7,593,896	6,805,174
VAT payable	41	65,037,424	65,511,220
Consumer deposits	42	33,294,313	32,846,315
		444,494,156	415,683,412
NON-CURRENT LIABILITIES			
Retirement benefits obligations	8	85,241,263	74,149,841
Finance lease obligation	13	10,492,509	569,188
Provisions	15	46,793,432	41,983,258
Other financial liabilities	40	194,166,746	152,084,339
		336,693,950	268,786,626
NON-CURRENT LIABILITIES		336,693,950	268,786,626
CURRENT LIABILITIES		444,494,156	415,683,412
TOTAL LIABILITIES		781,188,106	684,470,038
Assets		5,482,495,803	5,491,208,090
LIABILITIES		(781,188,106)	(684,470,038)
NET ASSETS		4,701,307,697	4,806,738,052
NET ASSETS			
Accumulated surplus		4,701,307,669	4,806,738,052

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Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
REVENUE			
Property rates	19	217,375,414	201,606,972
Property rates - penalties imposed and collection charges		12,225,618	11,593,058
Service charges	20	790,204,861	700,773,332
Government grants & subsidies	21	260,806,280	225,914,207
Rental of facilities and equipment		7,738,915	1,601,347
Interest received - external investment	25	7,443,083	9,631,419
Dividends received	25	11,224	-
Interest received - outstanding debtors		7,547,349	12,171,238
Fines		13,159,396	22,797,757
Licences and permits		30,891	20,846
Income from agency services		14,878,605	10,590,503
Other income	43	37,627,701	24,820,689
TOTAL REVENUE		1,369,049,337	1,221,521,368
EXPENDITURE			
Employee related costs	23	(373,286,626)	(327,613,346)
Remuneration of councillors	24	(16,313,074)	(15,336,997)
Internal charges/ Charge outs		3,991,409	4,079,950
Depreciation and amortisation	26	(209,453,734)	(242,775,108)
Finance costs	27	(32,836,804)	(31,393,023)
Contracted services	29	(76,831,970)	(51,685,117)
Grants and subsidies paid	30	(4,739,136)	(5,648,933)
Bulk purchases	31	(437,900,851)	(350,205,452)
Debt impairment		(42,072,351)	(81,279,078)
Collection costs		(4,547,469)	(4,429,492)
Repairs and maintenance		(88,692,792)	(73,961,749)
General Expenses	22	(191,794,139)	(190,023,519)
TOTAL EXPENDITURE		(1,474,477,537)	(1,370,271,864)
Revenue		1,369,049,337	1,221,521,368
Expenditure		(1,474,477,537)	(1,370,271,864)
SURPLUS FOR THE YEAR		(105,428,200)	(148,750,496)

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4,674,174,667	4,674,174,667
Adjustments		
Prior year adjustments	281,313,881	281,313,881
Balance at 01 July 2009 as restated	4,955,488,548	4,955,488,548
Changes in net assets		
Surplus for the year	(148,750,496)	(148,750,496)
Total changes	(148,750,496)	(148,750,496)
Balance at 01 July 2010 as restated	4,806,735,869	4,806,735,869
Changes in net assets		
Surplus for the year	(105,428,200)	(105,428,200)
Total changes	(105,428,200)	(105,428,200)
Balance at 30 June 2011	4,701,307,669	4,701,307,669
Note(s)		

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Cash flow statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Property rates		217,375,414	201,606,972
Sale of goods and services		790,204,861	700,773,332
Grants		264,089,039	225,914,207
Interest income		7,443,083	9,631,419
Dividends received		11,224	-
Other receipts		89,925,716	83,595,438
		1,369,049,337	1,221,521,368
Payments			
Employee costs		(389,599,728)	(342,950,343)
Suppliers		(798,414,349)	(665,875,837)
Finance costs		(32,836,804)	(31,393,023)
Other payments		71,550,600	17,830,516
		(1,149,300,281)	(1,022,388,687)
Total receipts		1,369,049,337	1,221,521,368
Total payments		(1,149,300,281)	(1,022,388,687)
Net cash flows from operating activities	32	219,749,056	199,132,681
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(314,278,104)	(334,559,875)
Proceeds from sale of property, plant and equipment	4	283,689	221,016,954
Purchase of other intangible assets	5	(5,983,511)	-
Proceeds from sale of financial assets		(4,928,003)	-
Movements in non-current investments		-	(4,319,494)
Net cash flows from investing activities		(324,905,929)	(117,862,415)
Cash flows from financing activities			
Repayment/ Proceeds of other financial liabilities		41,131,649	(38,313,907)
Movement in sundry deposits		788,722	-
Finance lease payments		13,581,485	-
Net cash flows from financing activities		55,501,856	(38,313,907)
Net increase/(decrease) in cash and cash equivalents		(49,655,017)	42,956,359
Cash and cash equivalents at the beginning of the year		88,990,514	46,034,156
Cash and cash equivalents at the end of the year	12	39,335,497	88,990,515

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The accounting policies are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimated uncertainty

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value exists. Management has made estimates of the selling price and direct cost to sell these certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment. Heritage assets, which are culturally significant resources and shown at cost are not depreciated owing to the uncertainty regarding their useful lives. Similarly land is not depreciated as it is deemed to have an infinite life.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimates of the cost of dismantling and removing the assets and restoring the site.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary asset, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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Accounting Policies

1.2 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. The economic entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined. Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	
• Landfill site	Indefinite
Infrastructure	
• Electricity mains	20-30 years
• Roads	15-60 years
• Water Networks	15-20 years
• Gas	0-20 years
• Sewage	15-20 years
• Pedestrian Malls	20 years
• Airports	20 years
• Security Measures	5 years
• Storm Water	20-60 years
• Pipe Works	10-100 years
• Substations	45 years
Community	
• Buildings	30 years
• Recreation facilities	20 years
Other property, plant and equipment	
• Office equipment	5-10 years
• Furniture & Fittings	7-10 years
• Bins and Containers	5-10 years
• Emergency Equipment	5-15 years
• Motor Vehicles	3-20 years
• Plant and Equipment	2-15 years
• Others	15-100 years
• Heritage	0 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the statement of financial performance unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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Accounting Policies

1.3 Investment property

Investment property includes property (land or a building - or part of a building - or both land and buildings held under finance lease) held to earn rentals or for capital appreciation, rather than held to meet service delivery objectives, production and supply of goods or services, or sale of assets in the ordinary course of operations

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.5 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

Intangible asset are identifiable when they can be separated from an economic entity, is capable of being separated or derived from the municipality and sold, exchanged, licensed or when they arise as a result of a contractual or other legal right, excluding those rights that arise from the statute.

An Intangible asset is recognised in the statement of financial position only when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, its cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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Accounting Policies

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised when the asset is disposed off or when there are no future economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment, financial assets
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability

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Accounting Policies

1.6 Financial instruments (continued)

that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Categorisation

The economic entity has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities.

A financial asset is any asset that is:

- cash
- contractual right to receive cash or to receive another financial asset from another entity
- a contractual right to exchange financial instruments on potentially favourable terms
- an equity instrument of another entity
- a contract that may or will be settled in the entity's own equity instrument (subject to certain conditions)

The economic entity has the following types of financial assets as reflected on the face of the statement of Financial Position or in the notes thereto

- Investments
- Long term receivables
- Consumer debtors

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Accounting Policies

1.6 Financial instruments (continued)

- Other receivables
- Cash and cash equivalents
- Unlisted shares

In accordance with IAS 39.09 the financial assets of the economic entity are classified as follows into one of the four categories allowed by the standards

The type of financial asset classification in terms of IAS 39.09

- Investments held to maturity
- Long term loans and receivables
- Consumer debtors and receivables
- Other loans and receivables
- Bank balances and cash available for sale
- Unlisted shares available for sale

A financial liability is any liability that is:

- a contractual obligation to deliver cash or to deliver another financial asset
- a contractual obligation to exchange financial instruments on potentially unfavourable terms

The economic entity has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Trade and other payables
- Consumer deposits
- Unspent conditional grants and receipts

There are two main categories of financial liabilities, classified based on how they are measured. Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit and loss.

In accordance with IAS 39.09 the financial liabilities of the economic entity are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability classification in terms of IAS 39.09

- Long term liabilities are financial liabilities that are not measured at fair value through profit and loss.
- Consumer deposits are financial liabilities that are not measured at fair value through profit and loss
- Trade and other payables are financial liabilities that are not measured at fair value through profit and loss
- Unspent conditional grants and receipts are financial liabilities that are not measured at fair value through profit and loss

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum

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Accounting Policies

1.6 Financial instruments (continued)

amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis or group, based on expected cashflows. At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance. Separate classes of loans and receivables were assessed for impairment using the following methodologies.

Sundry Deposits.

Sundry deposits are assessed for impairment to ensure that no objective evidence exist that these deposits are irrecoverable.

Sundry Debtors.

Sundry debtors are those suspense control accounts classified as financial instruments with debit balances as at year end. Sundry debtors are assessed individually for impairments to ensure that no objective evidence exists that these debtors are irrecoverable

1.7 Leases

Where substantially all the risks and rewards associated with ownership of an asset are transferred to the economic entity, the lease is classified as a finance lease. Operating leases are those leases that do not transfer substantially all the risks and rewards associated with ownership of an asset to the economic entity.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the Statement of Financial Position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases - lessee

At the commencement of the lease term, the economic entity recognise finance leases as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the economic entity's incremental borrowing rate is used. Any initial direct costs of the economic entity are added to the amount recognised as an asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred. A finance lease gives rise to a depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy

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1.7 Leases (continued)

for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated in accordance with the relevant accounting policy that the specific depreciable leased asset relates to. If there is no reasonable certainty that the economic entity will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases - lessor

The economic entity present assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense. Lease revenue is recognised on a straight-line basis over the lease term even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred by the economic entity in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The depreciation policy for depreciable leased assets is consistent with the economic entity's normal depreciation policy for similar assets.

Operating leases - lessee

Lease payments under an operating lease are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit to the economic entity.

Finance leases - lessee Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the . Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. Any contingent rents are expensed in the period in which they are incurred.

1.8 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the economic entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Inventories identified for write down/write off, but for which a council resolution, to authorise the write down/write off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The weighted average method is the basis of allocating costs to inventories. Unsold properties are valued at cost. Direct costs are accumulated for each separately identifiable development.

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1.8 Inventories (continued)

1.9 Retirement benefit obligation

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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1.9 Retirement benefit obligation (continued)

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.10 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised but rather are disclosed in note 33

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, and is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non current liabilities.

A provision is used only for expenditures for which the provision was originally recognised

a) Leave provision

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end

b) Landfill rehabilitation provision

The landfill rehabilitation provision is created for the rehabilitation of the current operational landfill site at an estimated time of closure. The value of the provisions based on the expected future cost to rehabilitate the various sites discounted back to the balance date at the cost to capital which is 10%

The municipality has an obligation to rehabilitate the landfill site, the costs include the initial estimate of the cost to rehabilitate the land and restoring the land and restoring the site, the obligation of the municipality incurs as a result of having used the property during the particular period for landfill purposes.

The municipality estimates that the useful life of landfill sites and assumptions thereto which influence the future cost to be provided for.

The asset is measured using the cost model:

- (a) subject to changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit

c) Long service award

The municipality offers various types of long service awards to its employees. The present value of the long service award obligation depends on the actuarial assumptions. The assumptions used to determine the obligation include the discount rate, inflation, the average retirement age and the actuarial assumptions. The increase or decrease on the obligation is recognised in the Statement of Financial Performance. The obligation is recognised on the statement of financial position.

d) Gratuity payment provision

The provision is for the unpaid periods and is based on the pro rata accrual to retired employees based on the council resolution

e) Bonus provision

The provision is based on the bonus accruing to all the employees of the municipality

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1.10 Provisions and contingencies (continued)

f) Workmans compensation

The provision is for the unpaid periods, estimated in the latest return submitted to the compensation commissioner.

1.11 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the economic entity directly in return for services rendered /goods sold, the value of which approximates the consideration received or receivable. Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners. Revenue is measured at the fair value of the consideration received or receivable. When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the more clearly determinable of either:

- the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue. Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the economic entity where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when the invoiced is generated.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property size, and are levied monthly.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis. Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Dividends are recognised when the economic entity's right to receive payment is established. Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- the economic entity has transferred to the buyer the significant risks and rewards of ownership.
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity.
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

1.12 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the economic entity received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion

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1.12 Revenue from non-exchange transactions (continued)

basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of fines that will be received based on past experience of amounts collected. Revenue from public contributions and donations is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the economic entity.

Where public contributions have been received but the economic entity has not met the related conditions, a deferred income (liability) is recognized. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the economic entity.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets as per accounting policy number 1.14 and 1.15. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 3 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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1.14 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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1.14 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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1.14 Impairment of cash-generating assets (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

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1.15 Impairment of non-cash-generating assets (continued)

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is

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Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Position in

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Accounting Policies

1.16 Unauthorised expenditure (continued)

the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's Supply Chain Management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	475,519,554	-	475,519,554	475,519,554	-	475,519,554

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	475,519,554	475,519,554

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	475,519,554	475,519,554

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	230,818,096	(10,488,822)	220,329,274	422,356,763	(191,538,667)	230,818,096

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4. Property, plant and equipment (continued)						
Plant and machinery	13,089,402	(3,102,187)	9,987,215	22,158,720	(9,658,567)	12,500,153
Furniture and fixtures	3,061,447	(746,245)	2,315,202	9,883,375	(7,257,973)	2,625,402
Motor vehicles	8,454,309	(3,597,572)	4,856,737	20,239,167	(11,784,857)	8,454,310
IT equipment	7,770,854	(2,041,552)	5,729,302	12,871,532	(5,762,316)	7,109,216
Infrastructure	3,362,970,846	(126,375,883)	3,236,594,963	5,545,062,610	(2,441,161,421)	3,103,901,189
Community	652,056,200	(326,847,995)	325,208,205	641,685,826	(308,807,494)	332,878,332
Other property, plant and equipment	3,738,115,185	(3,738,115,185)	-	(3,086,020,798)	3,086,020,798	-
Bins and containers	226,806	(28,749)	198,057	6,500,119	(6,416,253)	83,866
Other leased Asset	15,030,539	(1,749,264)	13,281,275	1,152,566	(905,596)	246,970
Small assets	69,484	(38,978)	30,506	136,055	(70,974)	65,081
Wastewater network	453,021,908	(22,042,961)	430,978,947	1,078,598,886	(641,379,348)	437,219,538
Water network	351,769,781	(18,632,826)	333,136,955	759,237,827	(419,221,766)	340,016,061
Heritage	51,361	-	51,361	51,361	-	51,361
Total	8,836,506,218	(4,253,808,219)	4,582,697,999	5,433,914,009	(957,944,434)	4,475,969,575

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	230,818,096	-	-	-	(10,488,822)	220,329,274
Plant and machinery	12,500,153	589,249	-	-	(3,102,187)	9,987,215
Furniture and fixtures	2,625,402	456,995	(20,950)	-	(746,245)	2,315,202
Motor vehicles	8,454,310	-	-	-	(3,597,573)	4,856,737
IT equipment	7,109,216	914,950	(253,312)	-	(2,041,552)	5,729,302
Infrastructure	3,103,901,189	259,069,657	-	-	(126,375,883)	3,236,594,963
Community	332,878,332	10,750,820	-	(380,446)	(18,040,501)	325,208,205
Bins and containers	83,866	142,941	-	-	(28,750)	198,057
Other leased Assets	246,970	14,783,571	-	-	(1,749,266)	13,281,275
Small assets	65,081	13,831	(9,427)	-	(38,979)	30,506
Wastewater network	437,219,538	15,802,370	-	-	(22,042,961)	430,978,947
Water network	340,016,061	11,753,720	-	-	(18,632,826)	333,136,955
Heritage	51,361	-	-	-	-	51,361
	4,475,969,575	314,278,104	(283,689)	(380,446)	(206,885,545)	4,582,697,999

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	241,772,516	21,944	-	-	(10,976,364)	230,818,096
Plant and machinery	4,633,191	9,396,223	(305,730)	-	(1,223,531)	12,500,153
Furniture and fixtures	2,624,425	1,225,798	(58,742)	-	(1,166,079)	2,625,402
Motor vehicles	12,123,596	-	(1,320,741)	-	(2,348,545)	8,454,310
IT equipment	7,643,611	1,978,790	(583,205)	-	(1,929,980)	7,109,216
Infrastructure	3,017,641,701	237,998,412	-	(7,287,316)	(144,451,608)	3,103,901,189
Community	347,145,610	3,362,834	-	(506,826)	(17,123,286)	332,878,332
Bins and containers	1	102,240	-	-	(18,375)	83,866
Other leased Assets	373,654	-	-	(10,230)	(116,454)	246,970
Small assets	69,567	39,873	-	-	(44,359)	65,081
Wastewater network	425,781,387	33,845,667	-	-	(22,407,516)	437,219,538
Water network	312,182,865	46,546,333	-	-	(18,713,137)	340,016,061
Heritage	9,600	41,761	-	-	-	51,361
	4,372,001,724	334,559,875	(2,268,418)	(7,804,372)	(220,519,234)	4,475,969,575

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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5. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	8,235,730	(2,009,514)	6,226,216	5,209,651	(2,957,432)	2,252,219

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,252,219	5,983,511	(2,009,514)	6,226,216

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,096,670	230,100	(1,074,551)	2,252,219

6. Investment

Available-for-sale

Listed shares	268,986	223,114
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Held to maturity

Other financial assets	38,624,712	33,742,581
Available for sale	268,986	223,114
Held to maturity	38,624,712	33,742,581
Total other financial assets	38,893,698	33,965,695

Non-current assets

Available-for-sale	268,986	223,114
Held to maturity	38,624,712	33,742,581
	38,893,698	33,965,695
Non-current assets	38,893,698	33,965,695

Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

Available-for-sale equity investments not at fair value

The carrying amount of these financial instruments is as follows:

Sanlam (Pty) Ltd

9670s interest in ordinary shares	268,986	223,114
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Other (Pty) Ltd

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

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6. Investment (continued)

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Held to maturity investments	Available-for- sale	Total
Investment	-	38,893,698	-	38,893,698
Other Receivables	26,960,631	-	-	26,960,631
Consumer Debtors	293,846,200	-	-	293,846,200
Cash and cash equivalents	-	-	40,178,341	40,178,341
	320,806,831	38,893,698	40,178,341	399,878,870

2010

	Loans and receivables	Held to maturity investments	Available-for- sale	Total
Investment	-	33,965,695	-	33,965,695
Other receivables	28,179,395	-	-	28,179,395
Consumer Debtors	232,728,246	-	-	232,728,246
Cash and cash equivalents	-	-	88,990,514	88,990,514
	260,907,641	33,965,695	88,990,514	383,863,850

8. Retirement benefit obligation

Retirement funds

The municipality provides retirement for its employees and councillors. The contribution to fund obligations for the payment of retirement benefits are expensed in the year in which they become due. The municipality contributes to defined contribution and defined benefits funds.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by 8% for 12 months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

Defined Benefit Plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes most of which offer a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical scheme. Upon a member's death-in-service or death -on-retirement the surviving dependants may continue membership of the scheme in-service members will, and continuation members do receive a post retirement subsidy of 60% of the contribution payable, subject to a limit of R 3,092.55 per month for 2010/2011

The defined benefit funds which are run by an independent administrator are actuarially valued on the basis of the projected unit credit method.

Post retirement medical benefit

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8. Retirement benefit obligation (continued)

The long services awards liability is the present value of the total LSA expected to be payable under the employers current arrangements and based on the assumptions made. This is regarded as the money set aside in present day terms to cover all the LSA for current employees

The municipality provides post retirement medical benefit to ex-employees. These benefits are charged to the Statement of Financial Performance in the year of payment. The expected cost of these are accrued over the period of employment. Independent actuaries carry out these valuations.

The municipality offered employees and continuation member's the opportunity of belonging to one several medical aid schemes, most of which offer range of options pertaining to the level of cover. Upon retirement an employee may continue membership of the medical aid scheme and upon a member's death-in cover or death in retirement, the surviving dependent may continue membership of the scheme.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(92,943,084)	(81,105,305)
Non-current liabilities	(85,241,263)	(74,149,841)
Current liabilities	(7,701,821)	(6,955,464)
	(92,943,084)	(81,105,305)

The fair value of plan assets includes:

Movements for the year

Opening balance	17,161,053	1,951,985
Benefits paid	(3,531,948)	(3,148,860)
Actuarial gains and losses	4,882,315	1,441,092
Other	10,487,412	9,312,302
Net expense recognised in the statement of financial performance	11,837,779	7,604,534
	40,836,611	17,161,053

Net expense recognised in the statement of financial performance

Current service cost	3,172,675	2,674,292
Contributon paid(Benefits paid)	(3,531,948)	(3,148,860)
Interest cost	7,314,737	6,638,010
Actuarial (gains) losses	4,882,315	1,441,092
	11,837,779	7,604,534

Key assumptions used

Assumptions used on last valuation on 30 July 2011.

Discount rates used	8.61 %	9.22 %
Expected rate of return on assets	7.32 %	7.20 %
Expected increase in salaries	1.21 %	1.88 %

Other assumptions.

Key Demographic Assumptions

Assumptions	Values
Average retirement age	65 for males; 60 for females

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8. Retirement benefit obligation (continued)

Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1 ultimate

Withdrawal from service (Sample annual rates)

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
>55	0%	0%

9. Inventories

Consumable stores	13,755,893	11,077,298
Water	435,314	167,429
Unsold Properties Held for Resale	513,000	137,356,000
Substores	3,949,914	5,002,165
	18,654,121	153,602,892

10. Trade and other receivables-exchange transactions

Bulk services	14,010,291	13,694,744
Indigent parked amounts	22,741,894	22,741,894
Housing	12,990,823	13,066,463
Staff loans	4,218,292	4,210,630
Debtors leave	1,369,379	1,369,379
Other receivables	29,068,868	27,953,608
Impairment of other debtors	(57,438,916)	(54,857,323)
	26,960,631	28,179,395

Credit quality of trade and other receivables-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due or impaired, can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 10,504,115 (2010: R 12,353,064) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	9,899,966	9,700,296
2 months past due	304,303	2,266,096
3 months past due	299,847	386,672

Trade and other receivables-exchange transactions impaired

As of 30 June 2011, other receivables from non-exchange transactions of R 83,561,661 (2010: R83,036,718) were impaired and provided for.

The amount of the provision was R 57,438,916 as of 30 June 2011 (2010: R 54,857,323).

The ageing of these loans is as follows:

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10. Trade and other receivables-exchange transactions (continued)		
3 to 6 months	57,438,916	54,857,323
11. Consumer debtors		
Gross balances		
Rates	206,223,298	177,183,767
Electricity	86,692,792	66,589,588
Water	117,997,113	106,190,756
Sewerage	91,069,632	79,126,292
Refuse	140,820,065	129,901,068
Other (specify)	191,926,309	183,161,486
	834,729,209	742,152,957
Less: Provision for debt impairment		
Rates	(148,649,360)	(148,522,029)
Electricity	(19,117,558)	(16,708,206)
Water	(91,289,734)	(82,770,461)
Sewerage	(74,555,830)	(64,561,986)
Refuse	(124,922,263)	(116,527,410)
Other (specify)	(82,348,264)	(80,334,619)
	(540,883,009)	(509,424,711)
Net balance		
Rates	57,573,938	28,661,738
Electricity	67,575,234	49,881,382
Water	26,707,379	23,420,295
Sewerage	16,513,802	14,564,306
Refuse	15,897,802	13,373,658
Other (specify)	109,578,045	102,826,867
	293,846,200	232,728,246
Rates		
Current (0 -30 days)	49,280,148	32,707,962
31 - 60 days	3,326,213	(49,865)
61 - 90 days	2,922,639	5,932,857
91 - 120 days	2,044,938	(9,929,216)
	57,573,938	28,661,738
Electricity		
Current (0 -30 days)	57,366,476	39,496,980
31 - 60 days	7,954,517	9,075,734
61 - 90 days	1,392,841	1,216,872
91 - 120 days	861,400	91,796
	67,575,234	49,881,382
Water		
Current (0 -30 days)	17,064,375	16,242,214
31 - 60 days	6,021,038	4,463,769
61 - 90 days	2,179,803	2,343,159
91 - 120 days	1,442,163	371,153
	26,707,379	23,420,295

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11. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	9,174,043	7,636,789
31 - 60 days	3,949,497	2,989,938
61 - 90 days	1,829,980	3,535,221
91 - 120 days	1,560,282	402,358
	16,513,802	14,564,306
Refuse		
Current (0 -30 days)	9,262,942	6,652,406
31 - 60 days	2,932,002	3,292,118
61 - 90 days	1,940,860	3,135,979
91 - 120 days	1,761,998	293,155
	15,897,802	13,373,658
Other (specify)		
Current (0 -30 days)	34,730,475	21,788,770
31 - 60 days	8,982,727	7,907,882
61 - 90 days	5,134,109	18,698,221
91 - 120 days	4,801,083	3,477,796
121 - 365 days	55,929,651	50,954,198
	109,578,045	102,826,867
Reconciliation of debt impairment provision		
Balance at beginning of the year	(509,424,711)	(447,137,167)
Contributions to provision	(31,458,298)	(62,287,544)
	(540,883,009)	(509,424,711)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 216,378,737 (2010: R 252,887,426.33) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	114,933,472	114,933,472
2 months past due	74,765,560	74,765,559
3 months past due	63,188,394	63,188,394

Consumer debtors impaired

As of 30 June 2011, consumer debtors of R 834,729,209 (2010: R 742,152,957) were impaired and provided for.

The amount of the provision was R 495,230,802 as of 30 June 2011 (2010: R 509,424,711).

The ageing of these debtors are as follows:

3 to 6 months	495,230,802	509,424,711
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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	25,226	27,950
Bank balances	16,446,702	24,710,702
Call accounts money market accounts	22,863,563	64,251,862
	39,335,491	88,990,514

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
First National Bank - Corporate Services Account - 6204-542-3491	(2,215)	100,000	-	(2,215)	100,000	-
First National Bank - Corporate Services Account - 6204-542-2469	100,000	100,000	-	100,000	100,000	-
First National Bank- Coporate Services Account - 6204-523-1074	6,721,924	19,256,006	-	6,721,924	19,256,006	-
First National Bank - Coporate Services Account - 6208-172-0114	50,000	50,000	-	50,000	50,000	-
First National Bank- Corporate Services Account-6212-767-4358	(205)	4,865,123	-	(205)	4,865,123	-
First National Bank-Corporate Services Account-Social reponsibility	(205)	163,158	-	(205)	163,158	-
First National Bank-Corporate Service Account-6228-265-1621	116,024	-	-	116,024	-	-
Standard Bank- 021307482 Trust Account . Madikane	90,425	-	-	90,425	-	-
Standard Bank-021307474	-	176,415	-	-	176,415	-
Standard Bank- 021307385	1,084,935	-	-	1,084,935	-	-
Standard Bank- 021307172	515,805	-	-	515,805	-	-
Standard Bank- 021307105	1,284,594	-	-	1,284,594	-	-
Standard Bank-021306958	(567,977)	-	-	(567,977)	-	-
Standard Bank-021306532	3,079,783	-	-	3,079,783	-	-
Call Account	3,973,804	-	-	3,973,804	-	-
Petty Cash	22,863,563	64,251,862	-	22,863,563	64,251,862	-
	25,226	27,950	-	25,226	27,950	-
Total	39,335,481	88,990,514	-	39,335,481	88,990,514	-

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13. Finance lease obligation		
Minimum lease payments due		
- within one year	8,047,080	279,041
- in second to fifth year inclusive	13,300,489	390,151
- later than five years	2,489,198	2,359,412
	23,836,767	3,028,604
less: future finance charges	(9,496,569)	(2,269,892)
Present value of minimum lease payments	14,340,198	758,712
Present value of minimum lease payments due		
- within one year	3,847,688	189,524
- in second to fifth year inclusive	9,742,772	47,596
- later than five years	749,737	521,592
	14,340,197	758,712
Non-current liabilities	10,492,509	569,188
Current liabilities	3,847,688	189,524
	14,340,197	758,712

It is municipality policy to lease certain property, motor vehicles and equipment under finance leases.

The average lease term is 36 months.

Interest rates are either fixed or variable. Some leases have fixed repayment terms and others escalate on a fixed rate and some fluctuate with prime lending rate.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grants	(1)	3,869,327
Department of Housing	2,295,011	2,295,011
SRAC grant	1,098,803	1,190,948
DWAF grant	2,428,642	4,128,499
GDSD grants	4,656,785	7,561
WRDM grants	1,396,683	88,467
BKB grants	285,956	285,277
GPR-HIV/AIDS grants	-	268,479
Expanded public works programme	124,000	-
Seta training grants	25,858	-
	12,311,737	12,133,569

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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15. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	13,347,800	-	-	-	1,334,780	14,682,580
Leave	26,193,157	-	-	-	-	26,193,157
Gratuity Provision	1,646,656	-	(31,214)	-	-	1,615,442
Bonus Provision	10,938,171	-	(7,850,323)	10,568,124	-	13,655,972
Corporate and social responsibility	278,264	1,301,610	(189,500)	-	-	1,390,374
Collateral guarantee insurance	334,892	-	11,215	-	-	346,107
Other provisions	36,299,868	11,605,824	-	-	(7,516,769)	40,388,923
	89,038,808	12,907,434	(8,059,822)	10,568,124	(6,181,989)	98,272,555

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	19,692,141	-	-	(8,575,319)	2,230,978	13,347,800
Leave	19,258,439	6,934,718	-	-	-	26,193,157
Gratuity provision	-	1,646,656	-	-	-	1,646,656
Bonus provision	8,356,268	2,581,903	-	-	-	10,938,171
Corporate and social responsibility	-	278,264	-	-	-	278,264
Collateral guarantee insurance	323,222	-	11,670	-	-	334,892
Other provisions	18,527,944	6,166,100	-	-	11,605,824	36,299,868
	66,158,014	17,607,641	11,670	(8,575,319)	13,836,802	89,038,808

Non-current liabilities	46,793,432	41,983,258
Current liabilities	51,479,123	47,055,550
	98,272,555	89,038,808

Corporate Social Responsibility Funds

The fund was established in terms of executive resolution by the Mayor in terms of which service providers and suppliers who reside outside of Mogale City Local Municipality boundaries are expected to contribute 1% out of all amounts that accrue when they tender the municipality

Gratuity Provision

The fund was established in terms of an executive resolution 30/06/86. The policy to non whites stipulated that any worker over 65yrs and has worked for the municipality for a period of 10 years and did not receive any pension compensation upon retirement. Gratuity has been paid at a 1/12 of the monthly salary for every completed years of service.

Leave and Bonus Provision

The liability is based on the total accrued leave days and accrued bonus paid.

Landfill Rehabilitation Provision

In terms of GRAP19 evaluations of provision should be done on an annual basis to reflect the best estimate at that date of provision.

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15. Provisions (continued)

Collateral Gaurantee Insurance

MCLM has housing guarantees with the bank on behalf of its employees. These employees contribute on a monthly basis to cover for the municipality possible losses.

Long Service Awards Provision

The municipality offers various types of long service awards to its employees and the key actural financial assumptions are as follows

- Discount rate 7.71% (2010: 9.01%)
 - General salary inflation 6.25% (2010: 6.47%)
- The salaries used in the valuation include an assumed increase of 6.08% in July 2011. The next salary increase is assumed to take place in July 2012

16. Trade and other payables from exchange transactions

Trade payables	176,323,430	159,102,411
Credit balance from other debtors	1,200,152	1,041,258
VAT Accrual	-	9,500,740
Current lease liability	280,197	2,870,670
Other payables	6,322,500	1,194,103
Salary third payments	395,886	128,060
Unpresented cheques	15,060,340	13,974,504
Creditors fair value adjustments	(1,345,929)	(1,422,396)
Consumer debtors credit balances	31,597,415	28,128,692
Receivables credit balances	1,067	835
Inventory in transit	131,483	1,823,715
Insurance claims	281,297	281,297
Unallocated cash	964,861	970,508
Undistributed deposit	6,765,248	8,074,175
Retention	10,648,281	5,836,805
Overtime Accrual	1,881,175	571,623
Obsolete stock	1,561,913	-
	252,069,316	232,077,000

17. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	11,158,838	11,158,838
Trade and other payables	252,911,099	252,911,099
Other non- current financial liabilities	194,166,746	194,166,746
Consumer deposits	33,294,313	33,294,313
Unspent conditional grants and reciepts	9,028,978	9,028,978
	500,559,974	500,559,974

2010

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17. Financial liabilities by category (continued)

	Financial liabilities at amortised cost	Total
Other current financial liabilities	12,109,596	12,109,596
Trade and other payables	236,760,335	236,760,335
Other non current financial liabilities	152,084,339	152,084,339
Consumer deposits	32,846,315	32,846,315
Unspent conditional grants	12,133,569	12,133,569
	445,934,154	445,934,154

18. Revenue

Property rates	217,375,414	201,606,972
Property rates – Penalties imposed and collection charges	12,225,618	11,593,058
Service charges	790,204,861	700,773,332
Rental of facilities & equipment	7,738,915	1,601,347
Income from agency services	14,878,605	10,590,503
Fines	13,159,396	22,797,757
Licences and permits	30,891	20,846
Government grants & subsidies	260,806,280	225,914,207
	1,316,419,980	1,174,898,022

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	790,204,861	700,773,332
Rental of facilities & equipment	7,738,915	1,601,347
Income from agency services	14,878,605	10,590,503
Licences and permits	30,891	20,846
	812,853,272	712,986,028

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	217,375,414	201,606,972
Property rates – Penalties imposed and collection charges	12,225,618	11,593,058
Fines	13,159,396	22,797,757
Government grants & subsidies	260,806,280	225,914,207
	503,566,708	461,911,994

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Figures in Rand	2011	2010
19. Property rates		
Rates received		
Residential	225,432,171	209,214,802
Commercial	109,890,731	103,046,431
Municipal	(169,664)	-
Small holdings and farms	13,181,394	11,742,209
Less: Income forgone	(130,959,218)	(122,396,470)
	217,375,414	201,606,972
Property rates - penalties imposed and collection charges	12,225,618	11,593,058
	229,601,032	213,200,030

Valuations

Valuations on land and buildings are performed every 3-5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

20. Service charges

Service charges	17,955,211	14,103,033
Sale of electricity	506,842,585	439,968,111
Sale of water	130,031,552	120,524,570
Sewerage and sanitation charges	73,858,560	69,937,863
Refuse removal	61,516,300	56,237,540
Other service charges	653	2,215
	790,204,861	700,773,332

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Figures in Rand	2011	2010
21. Government grants and subsidies		
Equitable share	173,321,138	135,814,262
Provincial health subsidies	3,437,750	5,426,320
MIG grant	55,095,326	48,132,580
Financial management grant	1,000,000	750,000
Municipal intern grant	-	141,000
Theta	-	2,110,724
WRDM grant	3,127,284	1,272,504
Bontle ke botho grant	49,320	185,332
Seta training grant	1,552,215	2,206,455
SRAC grant	4,392,146	5,482,906
Municipal systems improvement grant (operating)	750,000	478,770
DLG water target	-	4,210,780
GDSD grant	4,350,776	11,240,439
GPR-HIV/AIDS grant	268,479	231,521
DWAF	7,440,846	8,230,614
DMEA grant	5,000,000	-
Expanded public works programme	21,000	-
Agriculture	1,000,000	-
	260,806,280	225,914,207

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 226.85 (2010: R 86), which is funded from the grant.

MIG grant

Balance unspent at beginning of year	3,869,327	5,176,907
Current-year receipts	51,225,998	46,825,000
Conditions met - transferred to revenue	(55,095,326)	(48,132,580)
	(1)	3,869,327

Conditions still to be met - remain liabilities (see note 14)

Department of human settlement grant

Balance unspent at beginning of year	2,295,011	2,295,011
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Conditions still to be met - remain liabilities (see note 14)

This grant is administered on behalf of the department of human settlement for the erection of RDP houses.

SRAC grant

Balance unspent at beginning of year	1,190,948	2,394,854
Current-year receipts	4,300,001	4,279,000
Conditions met - transferred to revenue	(4,392,146)	(5,482,906)
	1,098,803	1,190,948

Conditions still to be met - remain liabilities (see note 14)

DWAF

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Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
Balance unspent at beginning of year	4,128,499	12,359,113
Current-year receipts	5,740,989	-
Conditions met - transferred to revenue	(7,440,846)	(8,230,614)
	2,428,642	4,128,499

Conditions still to be met - remain liabilities (see note 14)

GDSD grant

Balance unspent at beginning of year	7,561	-
Current-year receipts	9,000,000	11,248,000
Conditions met - transferred to revenue	(4,350,776)	(11,240,439)
	4,656,785	7,561

Conditions still to be met - remain liabilities (see note 14)

WRDM grant

Balance unspent at beginning of year	88,467	473,287
Current-year receipts	4,435,500	887,684
Conditions met - transferred to revenue	(3,127,284)	(1,272,504)
	1,396,683	88,467

Conditions still to be met - remain liabilities (see note 14)

WRDM funds various activities in the municipality e.g. HIV/AIDS, primary health care, programmes for the youth, elderly, disabled etc.

Bontle ke botho grant

Balance unspent at beginning of year	285,277	470,609
Current-year receipts	49,999	-
Conditions met - transferred to revenue	(49,320)	(185,332)
	285,956	285,277

Conditions still to be met - remain liabilities (see note 14)

Bontle ke botho is prize money received for the greater Krugersdorp town and various wards for environmental awareness and will be spent in the following year.

GPR-HIV/AIDS grant

Balance unspent at beginning of year	268,479	500,000
Conditions met - transferred to revenue	(268,479)	(231,521)
	-	268,479

Conditions still to be met - remain liabilities (see note 14)

Expanded public works programme

Current-year receipts	145,000	-
Conditions met - transferred to revenue	(21,000)	-
	124,000	-

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Figures in Rand	2011	2010
21. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 14)		
Provide explanations of conditions still to be met and other relevant information		
Seta training grants		
Balance unspent at beginning of year	-	594,509
Current-year receipts	1,578,073	1,611,946
Conditions met - transferred to revenue	(1,552,215)	(2,206,455)
	25,858	-

Conditions still to be met - remain liabilities (see note 14)

Provide explanations of conditions still to be met and other relevant information

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act ...of 20X2), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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Figures in Rand	2011	2010
22. General expenses		
Advertising	688,981	761,864
Assessment rates & municipal charges	13,638,213	11,094,505
Auditors remuneration	282,225	182,199
Bank charges	1,371,002	2,031,912
Computer expenses	413,601	822,474
Consulting and professional fees	7,746,619	7,848,812
Consumables	2,817,958	2,621,685
Entertainment	241,448	175,647
Fines and penalties	3,587	-
Gifts	17,601	8,198
Insurance	2,475,015	2,608,491
Community development and training	698,000	775,352
Conferences and seminars	369,691	310,792
Lease rentals on operating lease	14,040,400	24,884,695
Fleet	427,950	180,905
Horticulture	1,760,718	1,763,920
Magazines, books and periodicals	542,843	392,569
Medical expenses	23,082	-
Pest control	17,486	17,350
Fuel and oil	10,952,529	6,875,099
Postage and courier	2,462,969	2,129,597
Printing and stationery	2,728,838	2,390,425
Protective clothing	227,552	109,153
Project maintenance costs	13,904,083	27,082,515
Royalties and license fees	2,108,958	1,899,420
Staff welfare	628,104	595,517
Subscriptions and membership fees	2,177,898	1,874,736
Telephone and fax	16,462,564	9,826,681
Transport and freight	291,450	231,853
Training	1,451,433	1,348,219
Travel - local	1,231,576	2,071,428
Travel - overseas	95,141	342,149
Purchases for consumption	3,114,414	2,505,306
Skills levy	3,023,468	2,773,609
Contribution leave provision	-	5,565,339
Other expenses	83,356,714	65,921,103
	191,794,111	190,023,519

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Figures in Rand	2011	2010
23. Employee related costs		
Basic	234,262,768	203,813,589
Bonus	18,416,119	16,633,491
Medical aid - company contributions	10,715,472	11,609,793
UIF	1,971,577	1,820,670
SDL	88,606	71,167
Post-employment benefits - Pension - Defined contribution plan	43,361,950	36,448,579
Overtime payments	22,883,619	19,877,796
Long-service awards	190,142	-
Acting allowances	59,463	7,414
Car allowance	29,922,951	25,847,028
Housing benefits and allowances	1,699,210	2,018,160
	363,571,877	318,147,687
Remuneration of municipal manager		
Annual Remuneration	1,038,471	965,457
Car Allowance	144,000	161,353
Performance Bonuses	176,388	128,936
Contributions to UIF, Medical and Pension Funds	78,945	73,962
Subsistence allowance	14,058	-
	1,451,862	1,329,708
Remuneration of chief finance officer		
Annual Remuneration	785,221	752,317
Car Allowance	240,000	198,922
Performance Bonuses	-	94,553
Contributions to UIF, Medical and Pension Funds	96,207	100,850
Subsistence allowance	12,543	-
Acting allowance	5,062	-
	1,139,033	1,146,642
Governance (office of city manager)		
Annual Remuneration	967,275	976,457
Car Allowance	72,000	74,090
Performance Bonuses	80,606	94,553
Contributions to UIF, Medical and Pension Funds	1,547	1,542
	1,121,428	1,146,642
Remuneration of individual executive managers		
Annual Remuneration	4,772,627	4,465,510
Car Allowance	735,000	714,585
Performance Bonuses	-	245,349
Contributions to UIF, Medical and Pension Funds	438,629	417,223
Annual bonus	56,198	-
	6,002,454	5,842,667
24. Remuneration of councillors		
Executive Mayor	679,052	627,493

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24. Remuneration of councillors (continued)		
Mayoral Committee Members	5,297,880	4,989,676
Speaker	502,549	479,620
Councillors	5,875,825	5,429,586
Councillors' pension contribution	3,957,768	3,810,622
	16,313,074	15,336,997
In-kind benefits		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
The Executive Mayor has two full-time bodyguards.		
25. Investment revenue		
Dividend received		
Dividends	11,224	-
Interest received- external investment		
Bank	7,443,083	9,631,419
Dividend	11,224	-
Interest income	7,443,083	9,631,419
Total revenue from investments	7,454,307	9,631,419
26. Depreciation and amortisation		
Property, plant and equipment	209,453,734	242,775,108
Amortization of intangible assets	2,009,514	1,074,551
Property plant and equipment	207,444,220	241,700,557
	209,453,734	242,775,108
27. Finance costs		
Amortisation of held to maturity liabilities	32,836,804	31,393,023
28. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	7,738,915	1,601,347
Facilities and equipment	7,738,915	1,601,347
29. Contracted services		
Information Technology Services	33,414,859	28,690,496
Fleet Services	9,846,700	8,851,621
Operating Leases	31,723,750	12,937,355
Other Contractors	1,846,661	1,205,645
	76,831,970	51,685,117

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29. Contracted services (continued)

30. Grants and subsidies paid

Other subsidies

Grants other	270,481	298,911
Basic services	3,816,360	4,769,433
Grants: in aid	520,392	552,039
Grants discretionary	131,903	28,550
	4,739,136	5,648,933
Other subsidies	4,739,136	5,648,933

31. Bulk purchases

Electricity	322,950,030	251,340,323
Water	114,950,821	98,865,129
	437,900,851	350,205,452

During the year under consideration MCLM had unaccounted water and electricity of 36 % (29.5%: 2010) and 10% (10%: 2009) respectively. The total rand value of these losses were R 49,194,405 (R 38,393,318 : 2010) and R27,573,207 (R34,171,993 : 2010) respectively.

32. Cash generated from operations

Deficit	(105,428,200)	(148,750,496)
Adjustments for:		
Depreciation and amortisation	209,453,734	242,775,108
Debt impairment	42,072,351	81,282,979
Movements in operating lease assets and accruals	(361,893)	-
Movements in retirement benefit assets and liabilities	11,837,779	-
Movements in provisions	9,233,747	(8,583,208)
Actuarial gains/losses	(180,377)	(11,085,246)
Bad debts written off	-	(29,721,119)
Changes in working capital:		
Inventories	134,948,771	17,456,578
Non-current receivables	-	99,413
Trade and other receivables -exchange transactions	1,218,764	(6,141,668)
Consumer debtors	(103,190,305)	(35,651,800)
Trade and other payables from exchange transactions	19,992,315	97,442,165
VAT	(473,796)	6,527,393
Unspent conditional grants and receipts	178,168	(6,942,138)
Consumer deposits	447,998	424,720
	219,749,056	199,132,681

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33. Contingencies		
Outstanding legal matters		
Category A		
Motheo Group	1,600,000	3,200,000
Suing MCLM for damages suffered as a result of cancellation of contract.		
Enviro-fill (Pty) Ltd	2,500,000	7,000,000
Claim for damages suffered subsequent to cancellation of contract.		
Special Occasions	72,000	72,000
Claims for damages suffered after cancellation of contract without notification.		
Mathe Contruction	5,500,000	11,000,000
Suing MCLM for damages suffered as a result of cancellation of contract/ low cost housing.		
David Temple Nourse	290,000	290,000
Deed of sale (purchased land) from red coral, red coral signed a LAA with municipality and has failed to complete development .		
Charles Deuces	25,000	20,000
Claims for damages to vehicles as a result of unrehabilitated roads.		
Heldman Attorneys	0	360,000
Payment stopped by MCLM for the amount owed.		
Charles Deuces	80,000	80,000
Reimbursement of rates and taxes due to over charging by MCLM.		
Chamdor Meat Packers	0	360,000
Repayment of money by the MCLM which was paid into the wrong account.		
SA Local Authorities	0	40,612
Alleges MCLM has not contributed total amount required		
T. Chauke	150,000	
P.Gouws	100,000	
Alleges that they were unlawfully assaulted and detained by the traffic officer of council		
Subtotal	10,317,000	22,422,512
Category B		
Labour matters		
P. Moila	0	155,000
Review of commisioner's refusal to grant rescision.		
V. Tafu	0	148,425
Appeal of disciplinary case against.		
N. Mopitsing	300,000	185,652
Salary disparity		
M. Mokone	0	294,804
Appointment to a position based on having acted in the post more than year.		

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33. Contingencies (continued)

Murray & Ors	3,000,000	230,136
Salary disputes- employees alleges that they were not paid on the notch that the were suppose to be paid.		
A. Masonganye	300,000	566,463
L. Tshoane	300,000	566,463
Unfair dismissal.		
L. Lekgetho & 10	0	
294,804 Class action grievance against manager HCM for sexual harrasment, intimidation and incompetence.		
J. Mathye	300,000	556,913
N. Mabunda	300,000	537,777
J. Nkhumane	300,000	232,601
Unfair dismissal.		
Imatu Obo Mzimba	0	294,804
Salary disparity.		
B. Maluleke	0	103,716
The employer ill-treats the employee.		
S. Kuane	74,000	164,160
Remuneration.		
U. Sigabi	0	172,536
Salary discrepancies.		
Subtotal	4,874,000	4,415,743
Total	15,191,000	26,937,355

Bank guarantees	64900	64,900
kagiso portion 96	96,900	96,900
Eskom: kagiso portion 39	200, 000	200, 000
South african post office	361, 800	361,800

34. Related parties

Relationships

Accounting Officer

Members of key management

Mr D.M Mashitisho

Mr L.M.E Mahuma

Mr T. Ndlovu

Ms S. Mathebula

Mr D. Mokoena

Mr T. Selebi

Ms M. Mokoena

Ms M. Thelejane

Mr D. Mokotedi

35. Prior period errors

1. Unspent conditional grants

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35. Prior period errors (continued)

Correction of conditions met in MIG vote. Expenditure was own funded but recognised under MIG vote.

2. Accumulated Surplus deficit/ Profit and loss

a) Corrections of mig vote.

b) Correction of depreciation expense as per assets register.

c) Armotisation of expense as per assets register.

3. Landfill provision

Correction of valuation of landfillsite as it was previously wrongly recorded.

4. Bonus provision

Bonus provision that was recorded incorrectly in the pip account which reflects on sundry debtors instead of the provision account.

5. Workmans compensation provision

Raising of the new provison of workmans compensation as it never existed before.

6. Leave pay Accrual

Leave pay accrual taken to provisions.

7. Property plant and equipment

a). Correction of the assets register as well as the assets that were captured erroneously in 2009/2010.

b). Assets incorrectly purchase under repairs and maintenance.

8. Investment property

Correction of investment property raised in assets register.

9. Inventory

VAT which was erreneously captured on inventory.

10. Intangibles

Correction of of intagible raised in assets register.

11. Sundry debtors

Correction of sundry debtors which were including the amount for bonus provision.

12. Trade payables

Roll over amounts erreounesly captured as accruals in 2009/10.

13. VAT

Expenditure qualifying for input tax claim where input vat was erroneously not claimed and the VAT erroneously captured in inventory

14.Finance lease obligation

Finance lease which was previously disclosed on the notes and was added in the statement of financial position under external loans.

15. Consumer deposits

Consumer deposits wrongly accounted in prior year

The correction of the error(s) results in adjustments as follows :

Statement of financial position

Unspent conditional grants	-	(3,380,980)
Accumulated surplus deficit	-	281,313,878

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35. Prior period errors (continued)		
landfill Provision	-	8,575,318
Bonus provision	-	(1,235,299)
Workmans compensation provision	-	(6,166,099)
Leave pay accrual	-	26,193,157
Leave provision	-	(26,193,157)
Property plant and equipment	-	(291,485,714)
Investment property	-	6,134
Inventory	-	527,636
Intangibles	-	2,457
Sundry debtors	-	1,235,299
Trade and other payables	-	4,683,335
VAT	-	476,309
Finance lease payables	-	(758,712)
Consumer deposits	-	(2,183)
Statement of financial performance		
Depreciation expense	-	3,124,365
Gorvenment grants	-	(3,880,980)
Armotisation of intagible assets	-	(1,057,617)
Contribution to provision	-	(6,911,942)
General expenses	-	6,911,942

36. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecast are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand value.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivable from non exchange transactions. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

37. Irregular expenditure

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37. Irregular expenditure (continued)		
Opening balance	18,277,010	-
Add: Irregular Expenditure - current year	3,061,132	18,277,010
Less: Amounts not recoverable (not condoned)	(20,901,000)	-
	437,142	18,277,010

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,066,850	1,833,735
Amount paid - current year	(2,066,850)	(1,833,735)
	-	-

Audit fees

Opening balance	4,468	75,522
Current year subscription / fee	2,820,318	1,731,166
Amount paid - current year	(2,824,786)	(1,802,220)
	-	4,468

PAYE and UIF

Opening balance	3,557,271	2,917,206
Current year subscription / fee	52,830,346	43,263,679
Amount paid - current year	(48,596,890)	(39,706,409)
Amount paid - previous years	(3,881,166)	(2,917,206)
	3,909,561	3,557,270

Pension and Medical Aid Deductions

Opening balance	5,926	1,306
Current year subscription / fee	86,990,935	78,896,918
Amount paid - current year	(86,985,009)	(78,892,298)
	11,852	5,926

VAT

VAT payable	65,037,424	65,511,220
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dikgale LC	689	3,661	4,350
Dintoe MS	853	3,711	4,564
Gogotya NM	999	5,550	6,549

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38. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Lekone J	1,607	1,860
Magodiello C	324	2,749
Mangole K	891	5,344
Molapo PT	686	3,941
Mpanza BJ	1,091	5,888
Putilli L	953	5,065
Ramafoko MA	307	859
Seemela E	515	3,917
	8,915	42,545
		51,460

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Thobela CC	953	10,000	10,953
Mosetle Neo	2,484	718	3,202
Mokotla RJ	272	100	372
Thabe DS	648	1,869	2,517
Seemela C	477	113	590
	4,834	12,800	17,634

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

39. Non-current receivables

Impairment receivables	(3,187,029)	(3,388,759)
Sundry loans	2,706,945	2,849,234
Receivables credit balances transferred(creditors)	-	835
Stand and housing loans capital	480,084	538,690
	-	-

Trade and other receivables impaired

As of 30 June 2011, trade and other receivables of R 3,187,029 (2010: R 3,388,759) were impaired and provided for.

The amount of the provision was R 3,187,029 as of 30 June 2011 (2010: R 3,88,759).

The ageing of these loans is as follows:

3 to 6 months	3,187,029	3,887,759
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40. Other financial liabilities

Held at amortised cost

Bank loan	194,166,746	152,084,339
Other financial liability 1	11,158,838	12,109,596
	205,325,584	164,193,935
	-	-
	205,325,584	164,193,935

Non-current liabilities

At amortised cost	194,166,746	152,084,339
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Current liabilities

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40. Other financial liabilities (continued)		
At amortised cost	11,158,838	12,109,596
	194,166,746	152,084,339
	11,158,838	12,109,596
	205,325,584	164,193,935
41. VAT payable		
Tax refunds payables	65,037,424	65,511,220
42. Consumer deposits		
Regional services levies	33,294,313	32,846,315
43. Other income		
Administration fees	363,805	403,380
Advertising	255,514	348,025
Application fees	327,472	256,892
Building plan fees	1,866,541	1,368,139
Bulk service connections	4,613,984	9,888,748
Cemetery fees	1,873,447	1,579,017
Contributions roads, storm water pipes	1,671,692	975,173
Insurance claims	549,872	262,348
Medical aid contributions(Pensioners)	1,349,744	1,252,083
Other income	3,552,061	2,771,832
Sale erven	(105,456)	2,089,435
Services connections	5,232,293	3,457,523
Unclaimed monies	6,080	168,094
Investment property fair value adjustment	16,070,652	-
	37,627,701	24,820,689

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44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

COUNCIL ITEM NR DESCRIPTION	K(ii) 4(10/2010) "DEVIATION: Payment of ArcGIS and ArcVIEW license fees for the GIS software for the period 1 July 2010 to 30 June 2011".
AWARDED TO AMOUNT SECTION	Computer Foundation (Pty) Ltd R 114, 342.00 (including VAT) 36(1)(a)(ii)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(10/2010) "EXTENSION: Extended rental of speed camera equipment, software and back office support for a period of 18 months or until the implementation of the AARTO Act, whichever one commence first (extension July 2010 to Jan 2012)"
AWARDED TO AMOUNT SECTION	Total Client Services 43% payment towards contractor depending on the income per month (43/57 split) 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(1/2011) "DEVIATION: Appointment for provision of a Legal Opinion in terms of Councils Common Law Responsibility towards current and former Councilors outstanding Tax issues with SARS"
AWARDED TO AMOUNT SECTION	Easy Q Consulting Legal opinion not yet received. Amount will be reported in next quarter 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION	K (ii) 4(1/2011) "DEVIATION: Rental of a Landfill Compactor for a period of six months" Mykatrade 210 cc R 134, 000.00 (Excluding VAT, diesel and driver) per month R 916, 560.00 (Including VAT) for six month period 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(1/2011) "DEVIATION: Supply of branded clothing for the 2010 OR Tambo Inter-Municipal Games hosted by WRDM on 19 November 2010
AWARDED TO AMOUNT SECTION	Sedgars R 108, 000.00 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(1/2011) "DEVIATION: Public Participation Unit to utilize the same service providers for Buses, Marquees and Bill Boards for loud hailing, postering and pamphlet distribution for IDP and Budget Statutory Public Participation Roadshows of 2011/12 in November 2010
AWARDED TO	Thaku Thaku Transport CC (Rental for buses) Lenthatile Events and Marketing cc (Rental for Marquees tent and chairs) CheckCoast Productions (Production of bill board adverts, loud hailing, postering, pamphlet distribution, removal of posters after roadshows) Maimane Construction and Projects (Production of 1600 posters mounted on corrugated boards)
AMOUNT	R 42, 560.00 R 85, 500.00 R 166, 212.00

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44. Deviation from supply chain management regulations (continued)

SECTION	R 59, 500.00 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 5(4/2011) "DEVIATION: Emergency Repairs: Replace damaged Lattice Structures on the 33kV Condale - Chamdor double circuit transmission line and the replacement of the damaged 33kV circuit breaker in Condale substation
AWARDED TO	Siemens Limited
AMOUNT	ESPAR cc R 251, 398.28
SECTION	R 1 125, 921.00 36(1)(a)(i)
COUNCIL ITEM NR DESCRIPTION	K(ii) 5(4/2011) "DEVIATION: Provision of a Legal Opinion in terms of Council's common law responsibility towards current and former Councilor's outstanding tax issues with SARS
AWARDED TO	Integrasol
AMOUNT	Amount not available yet - will be based on number of hours allocated to task. To be reported once available
SECTION	36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(7/2011) "DEVIATION: Appointment of an experienced service provider for the Review of the Organizational Transactional Data and Recovery of Money
AWARDED TO	Comperio Forensic Services (Pty) Ltd
AMOUNT	The fee, exclusive of VAT, will be based on 20% of actual recoverables. Should the company not be able to recover any money, no payment will accrue to the company
SECTION	36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(7/2011) "EXTENSION: Emergency repairs to the 33kV Mono Pole Structure Stay-Wire
AWARDED TO	ESPAR cc
AMOUNT	R 91, 080.00 (excluding VAT)
SECTION	36(1)(a)(i)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(7/2011) "EXTENSION: Extension of contract of Civitas Data Services for a period of 8 months (until Jan 2012) for the rental of Software for the capturing of all direct notices and accidents on the service providers software system
AWARDED TO	Civitas Data Services (Pty) Ltd
AMOUNT	An average of R 12, 000.00 per month is paid for the service rendered
SECTION	36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(7/2011) "DEVIATION: Appointment of Brilliant Telecommunications to install Cables and Switches (Physical Infrastructure) in remote sites of MCLM
AWARDED TO	Brilliant Telecommunications (Pty) Ltd
AMOUNT	Actual expenditure amount to be reported at next meeting of Council. Estimate
SECTION	R 986, 801.33 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION	K (ii) 4(7/2011) "DEVIATION: Appointment of Quill to Expand the Asset Module of the BIQ Financial System in order to comply with GRAP 17 and to link the IMQS Infrastructure Asset Management System to BIQ
AWARDED TO	Quill Associates (Pty) Ltd
AMOUNT	R 350, 000.00 (excluding VAT)
SECTION	36(1)(a)(ii)

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44. Deviation from supply chain management regulations (continued)

COUNCIL ITEM NR DESCRIPTION	K(ii) 4(7/2011) "DEVIATION: Appointment of a Transaction Advisor on the Risk Sharing Model to Enhance Collection of Mogale City's Debtors Book
AWARDED TO AMOUNT SECTION	AloeCap An administration fee of 1% of the gross collection received MCLM be paid to AloeCap 36(1)(a)(ii)
COUNCIL ITEM NR DESCRIPTION	K(ii) 4(7/2011) "DEVIATION: Appointment of an Experienced Service Provider for the land use audit of MCLM. The project will be done in phases, starting in Kagiso and the rest of the previously disadvantaged townships and then the rest of Mogale City"
AWARDED TO AMOUNT SECTION	Mrs Lizelle Smit (Lecturer - University of Pretoria) R 188, 500.00 (Including VAT) 36(1)(a)(v)
COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION	K(ii) 4(7/2011) "CONDONATION: Backtrack performance fee for Robbie Malinga" Servimate29 Entertainment R 25, 000 36(1)(b)
COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION	K(ii) 4(7/2011) "CONDONATION: 1 000 Business Card Holders" Gositang Construction and Projects R 60, 000 36(1)(b)
COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION	K(ii) 4(7/2011) "CONDONATION: Entertainment (1 X DJ & 2 X artists) Production: Equipment, camera operator, lighting, 50 X MCLM State of the City DVD's" Minatlou Trading 99 R 112, 700.00 36(1)(b)
COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION	K(ii) 4(7/2011) "CONDONATION: Marquee, Audio Visual Equipment, Logistics" TLT Business Enterprises R 218, 385.96 36(1)(b)
COUNCIL ITEM NR DESCRIPTION AWARDED TO AMOUNT SECTION	K(ii) 4(7/2011) "CONDONATION OF DEVIATION AND OVER-EXPENDITURE: Rental of furniture, cutlery and crockery and catering for 1 000" K & C Events Management cc R 216, 967.30 36(1)(b)

2010

COUNCIL ITEM NR DESCRIPTION	K(ii) 5(10/2009) "DEVIATION: Development and implementation of an enhanced Leave Management System for MCLM
AWARDED TO AMOUNT SECTION	Integrasol (Pty) Ltd R 121, 325.00 (including VAT) 36(1)(a)(v)
COUNCIL ITEM NR	K(ii) 5(04/2010)

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44. Deviation from supply chain management regulations (continued)			
DESCRIPTION	"DEVIATION: Data cleansing and matching exercise (valuation roll and revenue system) on the BIQ financial system		
AWARDED TO	Total Geo-Spatial Information Solutions		
AMOUNT	Approximate expenditure R 227, 447.00 (incl VAT) at a rate of R15 and R50 per entry/record for 1st and 2nd phase of the project		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Appointment of experienced service provider for the Reconciliation of Reducing of Value Added Tax Liability (VAT) for MCLM"		
AWARDED TO	Maximum Profit Recovery (Pty) Ltd		
AMOUNT	Fee structure to be based on a percentage of all savings to MCLM		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Management of the Leave Management system"		
AWARDED TO	Integrasol Continuum CA (SA)		
AMOUNT			
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 9(01/2010)		
DESCRIPTION	"DEVIATION: Facilitation of a 2 day Strategic Planning Workshop for review of MCLM's strategic plan"		
AWARDED TO	Group Dynamics		
AMOUNT	R 57, 000.00 (including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"DEVIATION: Additional cost incurred iro Design and Printing of the 07/08 Annual Report and 09/10 IDP/Budget and SDBIP of MCLM"		
AWARDED TO	Ukhosa Design		
AMOUNT	08/09 Annual report R 41, 268.00		
	09/10 IDP/Budget & SDBIP R 81, 225.00		
SECTION	36(1)(b)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Purchase of computers and laptops"		
AWARDED TO	Maponya Business Technologies		
AMOUNT	Notebooks: R 200, 035.62		
	Desktops: R 438, 691.67		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(10/2009)		
DESCRIPTION	"DEVIATION: Appointment of service provider for the waste collection and street cleaning during the municipal strike period"		
AWARDED TO	Willturnkey Construction and Refurbishment		
AMOUNT	R 886, 045.16 (Including VAT)		
SECTION	36(1)(a)(i)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"CONDONATION AND EXTENSION: Compliance Monitoring as an Independent Environmental Control Officer with regard to Rangeview Water Reservoir Project - Q DIEM 03/2007		
AWARDED TO	Sivest Environmental		
AMOUNT	Condonation for exceeding approved quotation by R 70, 205.08		
	Extension of contract with R 47, 406.00 for finalisation		
SECTION	36(1)(a)(v)		

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44. Deviation from supply chain management regulations (continued)			
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Hosting of 13th iLGM Annual National Conference 18 - 20 November 2009		
AWARDED TO	Silver Star Casino		
AMOUNT	R 727, 466.00 (Including VAT)		
SECTION	36(1)(a)(ii)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Appointment of a Human Resource Administrator on a temporary basis until 30 June 2010"		
AWARDED TO	Madyatshamile Holdings (Pty) Ltd		
AMOUNT	R 48, 000.00 per month including agency fees but excluding VAT and work related traveling outside Gauteng (until 30 June 2010)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"DEVIATION: Supply, Delivery and Installation of a Recording System and Audio Visuals in the Council Chambers as a matter of urgency"		
AWARDED TO	Vital Change Trading		
AMOUNT	R 649, 893.75 (Including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(10/2009)		
DESCRIPTION	"DEVIATION: Approval to conduct a Leica LiDAR Topographical Survey for MCLM"		
AWARDED TO	Southern Mapping (Pty) Ltd		
AMOUNT	Amount not to exceed R 2, 500 000.00 (Excluding VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(10/2009)		
DESCRIPTION	"DEVIATION for utilization of 10 X sedan vehicles for Public Safety from Avis Car rentals for a period of 4 months"		
AWARDED TO	Avis Car Rental		
AMOUNT	R 120, 000.00 (Including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 9(01/2010)		
DESCRIPTION	"DEVIATION: Ad-hoc Replacement and/or repair of specialized distribution equipment"		
AWARDED TO	Radikhudu Construction Projects		
AMOUNT	R 73, 680.00 (Including VAT)		
SECTION	36(1)(a)(i)		
COUNCIL ITEM NR	K(ii) 9(01/2010)		
DESCRIPTION	"EXTENSION of contracts with Multi - Waste, AVIS, Debis Fleet until 30 June 2010 and secure 6 additional compactor trucks"		
AWARDED TO	Multi-Waste - 6 X compactor trucks AVIS - 10 X sedans, Landfill Equipment - 1 landfill compactor Debis Fleet - 3 X Roll-on trucks and 1 crane truck Sula Smart Supplier Services - 6 compactor trucks		
AMOUNT	R 97, 470.00 per month (Excluding VAT) and R 510.00 per hour for overtime and public holidays R 126, 000.00 per month (Excluding VAT) R 94, 000.00 per truck (Including VAT, insurance, maintenance and driver)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 9(01/2010)		
DESCRIPTION	"DEVIATION: Appointment of Consulting engineer for the Design, specifications of material & equipment and project management for projects related to the 33 000 volt Main Distribution Network"		
AWARDED TO	Steward Scott Industrial Engineers (SSI)		

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44. Deviation from supply chain management regulations (continued)			
AMOUNT	Consulting engineering fees will be lower than the normal SAACE fees and exact cost will be based on professional time and cost		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 9(01/2010)		
DESCRIPTION	"DEVIATION: Additional work required in the Sealing for Water Tightness of the Munsieville Reservoir in terms of tender I (W&S) 35/2009"		
AWARDED TO	Con Solve Civils CC		
AMOUNT	R 575, 529.00 (Including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"EXTENSION of current contract with Amasondo fleet as to ensure the services of 14 specified vehicles up to 30 June 2010"		
AWARDED TO	Amasondo Fleet Services		
AMOUNT	Approx R 130, 000.00 per month (Including VAT) from Jan to 30 June 2010		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"EXTENSION of current contracts with various service providers as to ensure the services of 21 specified vehicles up to 30 June 2010"		
AWARDED TO	Avis - 10 Sedans Multi waste - 6 compactors Landfill - 1 Tana Debis Fleet - 3 Roll-ons and 1 crane truck Sula Smart (new contract) - 6 add compactors		
AMOUNT	R 97, 470.00 per month (Excluding VAT) R 126, 000.00 per month (Excluding VAT) R 94, 000.00 per truck (Including VAT)		
SECTION	From end of Feb to 30 June 2010 36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Emergency Repairs: Condale Substation Transformer 3 - Faulty on-load Tap changer"		
AWARDED TO	Siemens Limited		
AMOUNT	R 680, 785.64 (Excluding VAT)		
SECTION	36(1)(a)(i)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Emergency Repairs: Chamdor Substation - Faulty 6.6kV vacuum circuit breakers"		
AWARDED TO	Megatron Federal (Pty) Ltd		
AMOUNT	R 122, 400.00 (Excluding VAT)		
SECTION	36(1)(a)(ii)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Sealing of Water tightness of the Munsieville Reservoir tender I (W&S) 35/2009"		
AWARDED TO	Consolve Civils CC		
AMOUNT	Joint sealing: R 170 253.00 Spall repairs: R 243, 538.00 Roof repairs: R 161, 737.00 (Including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Maintenance of Bulk Water and waste water equipment tender I(W&S) 04/2010"		

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44. Deviation from supply chain management regulations (continued)			
AWARDED TO	Tecroveer (Pty) Ltd		
AMOUNT	R 5, 159 849.34 (Including VAT)		
SECTION	36(1)(a)(i)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"DEVIATION: Granting of Freedom of the City to the President of Twelve Apostolic Church, Chief Apostle Dr C Nongqunga"		
AWARDED TO	Lenthatile Events and Marketing: Hire of marquee Hiring of chair Hiring of public toilets 400 Name tags		
AMOUNT	Gen-Joy Cookers: Decorations R 184, 096.00		
SECTION	R 19, 000.00 36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"DEVIATION: Execution of 2010 Project Implementation Plan"		
AWARDED TO	Khalipha Entertainment		
AMOUNT	Approximate expenditure of R 5, 501 000.00		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"EXTENSION of tender PS 01/2005 and renting of software for a period of one year"		
AWARDED TO	Total Client Services Civitas Data Services		
AMOUNT	43% of income received Once off payment of R 65, 000.00 for license fees. R1.70 (Excluding VAT) per hand written or camera violation captured on the system		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"DEVIATION: Supply and Installation of Blue Lights and Two Way Communication Radios for 30 X Public Safety vehicles as supplied by G-Fleet		
AWARDED TO	Signal Systems (Pty) Ltd		
AMOUNT	Blue Lights: R 5, 950.00 per system Two way radio: R 3, 320.00 per system (for 30 vehicles)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(10/2009)		
DESCRIPTION	"CONDONATION: Placement of advertisement in the City Press on 14 June 2009 for the filling of vacancies in MCLM"		
AWARDED TO	Parks Communications		
AMOUNT	R 105, 636.96 (Including VAT)		
SECTION	36(1)(b)		
COUNCIL ITEM NR	K(ii) 5(10/2009)		
DESCRIPTION	"CONDONATION of expenditure incurred in terms of the extension of the Least Cost routing contract"		
AWARDED TO	Brilliant Telecommunications (Pty) Ltd		
AMOUNT	July 2009 R 278, 086.35 Aug 2009 R 320, 303.25 Sept 2009 R 9, 616.08 (Maintenance only)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(04/2010)		
DESCRIPTION	"CONDONATION of expenditure incurred in terms of Q 09/2007; Pauper and Indigent Burials"		

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44. Deviation from supply chain management regulations (continued)			
AWARDED TO	Tlholoe's Funeral Parlour		
AMOUNT	Condonement of over-expenditure amounting to R 15, 011.06 Permission to pay outstanding invoices for R 25, 906.05		
SECTION	Approval for any additional expenditure incurred until July 2010 (new tender) 36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(4/2010)		
DESCRIPTION	"CONDONATION of payment for services rendered for the supply of 3 refuse compactors to the Waste Management section"		
AWARDED TO	Sula Smart and Supply Services		
AMOUNT	R 337, 500.00		
SECTION	36(1)(a)(i)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"CONDONATION of expenditure incurred not in contract I(W&S) 02/2008 Hire of Vacuum Tankers for a period of three years"		
AWARDED TO	JetVac Johannesburg		
AMOUNT	R 206, 013.39 (Including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"CONDONATION for payment of rental of additional refuse compactors during December 2009"		
AWARDED TO	Debis Fleet		
AMOUNT	R 149, 864.40		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 5(10/2009)		
DESCRIPTION	"EXTENSION of tender I (F) 01/2006 Leasing of 14 vehicles from Amasondo Fleet Services for a period of six months"		
AWARDED TO	Amasondo Fleet Services		
AMOUNT	R 778, 241.04		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"CONDONATION for additional expenditure incurred for design, layout and printing of 07/08 Annual Report"		
AWARDED TO	Okusha Designs CC		
AMOUNT	R 239, 749.98		
SECTION	36(1)(b)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"EXTENSION of current contract with Amasondo Fleet Services up to end of June 2010"		
AWARDED TO	Amasondo Fleet Services		
AMOUNT	Approximately R 130, 000.00 per month (Including VAT)		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"EXTENSION: Supply, delivery and installation of all concrete palisade fencing requirements for MCLM for a period of three years (IEM 01/2008)"		
AWARDED TO	Rideka Construction		
AMOUNT	R 510.00 (Excluding VAT) per running meter		
SECTION	36(1)(a)(v)		
COUNCIL ITEM NR	K(ii) 2(07/2010)		
DESCRIPTION	"EXTENSION of various contracts for the rental and leasing of vehicles for a period of 6 months (July to Dec 2010)"		
AWARDED TO	Multi Waste Florida (6 X refuse compactors Landfill equipment)		

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	(1 X landfill compactor)		
	Debis Fleet Management (1 X 16 ton crane truck)		
	(3 X roll-on trucks)		
	Amasondo (3 X tipper trucks)		
	(5 drop side trucks)		
	(1 X cherry picker)		
	(5 X tractors)		
AMOUNT	Approx. R 4.2M		
	R 900, 000.00		
	R 1.2M		
	R 900, 000.00 (for a period of 6 months)		
SECTION	36(1)(a)(v)		
45. Capital commitments			
Capital commitments			
Infrastructure		39,095,012	3,530,570
Community		9,222,895	552,775
Heritage		418,415	557,671
Other		6,022,517	572,849
		54,758,839	5,213,865
Financed by			
Revenue		-	1,290,191
Government grants		19,845,413	3,919,101
Other		-	4,573
Loan		34,913,426	-
		54,758,839	5,213,865

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46. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	255,695,725	225,946,601		225,946,601	229,601,032		(3,654,431)	102 %	90 %
Service charges	814,637,182	804,044,888		804,044,888	790,204,861		13,840,027	98 %	97 %
Investment revenue	2,939,784	2,272,052		2,272,052	7,454,307		(5,182,255)	328 %	254 %
Transfers recognised - operational	195,103,039	195,607,967		195,607,967	247,344,434		(51,736,467)	126 %	127 %
Other own revenue	87,696,082	80,015,380		80,015,380	80,982,857		(967,477)	101 %	92 %
Total revenue (excluding capital transfers and contributions)	1,356,071,812	1,307,886,888		1,307,886,888	1,355,587,491		(47,700,603)	104 %	100 %
Employee costs	(382,976,380)	(382,738,454)	-	(382,738,454)	(373,286,654)	-	(9,451,800)	98 %	97 %
Remuneration of councillors	(16,943,382)	(17,006,927)	-	(17,006,927)	(16,313,074)	-	(693,853)	96 %	96 %
Debt impairment	(99,907,885)	(89,005,020)		(89,005,020)	(42,072,351)	-	(46,932,669)	47 %	42 %
Depreciation and asset impairment	(10,532,804)	(10,453,189)		(10,453,189)	(209,453,734)	-	199,000,545	2,004 %	1,989 %
Finance charges	(20,994,321)	(23,300,395)	-	(23,300,395)	(32,836,804)	-	9,536,409	141 %	156 %
Materials and bulk purchases	(399,512,109)	(407,512,109)	-	(407,512,109)	(437,900,851)	-	30,388,742	107 %	110 %
Transfers and grants	(5,432,712)	(5,617,319)	-	(5,617,319)	(4,739,136)	-	(878,183)	84 %	87 %
Other expenditure	(321,532,384)	(372,253,474)	-	(372,253,474)	(357,874,933)	-	(14,378,541)	96 %	111 %
Total expenditure	(1,257,831,977)	(1,307,886,887)	-	(1,307,886,887)	(1,474,477,537)	-	166,590,650	113 %	117 %
Total revenue (excluding capital transfers and contributions)	1,356,071,812	1,307,886,888	-	1,307,886,888	1,355,587,491	-	(47,700,603)	104 %	100 %
Total expenditure	(1,257,831,977)	(1,307,886,887)	-	(1,307,886,887)	(1,474,477,537)	-	166,590,650	113 %	117 %
Surplus/(Deficit)	98,239,835	1		1	(118,890,046)		118,890,047	,889,004,600)%	(121)%

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	103,659,068	97,405,828		97,405,828	13,461,846		83,943,982	14 %	13 %
Contributions recognised - capital and contributed assets	12,431,488	-		-	-		-	DIV/0 %	- %
Surplus/(Deficit)	98,239,835	1	-	1	(118,890,046)	-	118,890,047	,889,004,600)%	(121)%
Capital transfers and contributions	116,090,556	97,405,828	-	97,405,828	13,461,846	-	83,943,982	14 %	12 %
Surplus (Deficit) after capital transfers and contributions	214,330,391	97,405,829		97,405,829	(105,428,200)		202,834,029	(108)%	(49)%
Surplus (Deficit) after capital transfers and contributions	214,330,391	97,405,829	-	97,405,829	(105,428,200)	-	202,834,029	(108)%	(49)%
Surplus/(Deficit) for the year	214,330,391	97,405,829		97,405,829	(105,428,200)		202,834,029	(108)%	(49)%

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources									
Total capital expenditure	214,330,391	200,044,035	-	200,044,035	314,278,106	-	(114,234,071)	157 %	147 %
Cash flows									
Net cash from (used) operating	219,749,056	219,749,056		219,749,056	219,749,056		-	100 %	100 %
Net cash from (used) investing	(324,905,929)	(324,905,929)		(324,905,929)	(324,905,929)		-	100 %	100 %
Net cash from (used) financing	55,501,856	55,501,856		55,501,856	55,501,856		-	100 %	100 %
Cash/cash equivalents at the year end	(49,655,017)	(49,655,017)		(49,655,017)	(49,655,017)		-	100 %	100 %

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